

Federal Emergency Management Agency

Washington, D.C. 20472

MEMORANDUM FOR: Regional Administrators
FEMA Regions I – X

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FROM: Michael K. Buckley
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DATE: 26-NOV-08

SUBJECT: Guidance for 2009 Alternative Determination of Cost-Effectiveness for Eligible Insured Repetitive Loss Properties

The following information provides guidance on how to use the alternate cost-effectiveness methodology and current property lists to determine the cost effectiveness of applicable mitigation projects. Flood mitigation project applications may use the alternative cost-effectiveness methodology and supporting data list, based on National Flood Insurance Program (NFIP) records as of September 30, 2008, for any project meeting the guidelines described herein through December 31, 2009, or until the current list is superseded by an updated data set.

Eligible Repetitive Loss Properties

FEMA has updated the select list of eligible repetitive flood loss properties exhibiting a level of risk that may be cost-effective to mitigate. These are properties that have experienced a high frequency/severity of flooding. There are approximately 7,300 properties nationwide. An electronic list of eligible NFIP repetitive loss structures is available for each State through the appropriate FEMA Regional Office. Please note this list is protected by the Privacy Act and provided for approved uses only.

Eligible Project Types

This guidance applies only to the required determination of cost-effectiveness relevant to projects submitted for funding in which eligible NFIP repetitive loss properties are included. This alternative methodology may only be applied to project types meeting the eligibility criteria outlined in program guidance for each respective Hazard Mitigation Assistance grant program.

Potential Future Damages Avoided

For each of the eligible structures, two "potential future damages avoided values" have been calculated. The values are based on a project useful life of 30 years and 100 years. These values are comparable to the net present value of benefits, related to building and contents damages as developed when using the current FEMA Benefit Cost Analysis (BCA) software modules. The following caveats apply to this data:

- The values are based on insurance data and, therefore, may not accurately reflect the maximum "potential future damages avoided value" for all properties;
- Property addresses on the list are the best available from existing NFIP records; and
- A small percentage of properties included in the data set may include a data anomaly related to the occupancy classification, NFIP claim history or property location.

Alternate Cost-Effectiveness Methodology

The alternate cost-effectiveness methodology allows for a simplified, FEMA-approved approach for conducting the BCA for eligible properties. This effort provides a framework that allows applicants to use NFIP-provided data to determine either all or part of the "benefits" portion of the BCA to demonstrate cost-effectiveness of proposed mitigation projects. The alternate methodology adheres to the requirements set forth by the Office of Management and Budget (OMB), and in no way waives the requirement of determining cost-effectiveness for eligible NFIP repetitive loss properties. For additional information applicants and sub-applicants should contact the appropriate Regional Mitigation staff and/or the Benefit-Cost Helpline staff.

Maximizing Benefits

FEMA encourages applicants to demonstrate the maximum benefits for all mitigation projects. Using the values provided for eligible properties only accounts for benefits directly related to building and contents damages avoided. Additional benefits are often included in the traditional BCA approach. Applicants can maximize the benefits by adding the net present value of benefits from additional considerations to the values provided. However, the additional benefits included must not duplicate the avoided insured structural and content damages, including insurance deductibles, already incorporated into the alternate cost-effectiveness methodology.

For additional information on how to maximize the benefits for mitigation projects that include eligible properties, contact the Benefit-Cost Helpline by telephone at (866) 222-3580 or email bchelpine@dhs.gov, and access Alternative Determination of Cost-effectiveness information on the FEMA website at <http://www.fema.gov/government/grant/resources/bcarlalt.shtm>.

Combining Eligible NFIP Repetitive Loss Properties and Other Properties

If applicants propose projects that include eligible structures and other flood prone structures, the applicant may compile the benefits by adding the total value of all benefits calculated for all properties included in the project. The resulting value will be divided by the total cost of the project to determine a composite Benefit Cost Ratio for the project.

Considerations When Using the Alternate Methodology

When applying the alternative methodology, not all eligible properties will be cost-effective to mitigate. FEMA encourages all applicants to demonstrate maximum benefits by using the approved approach that results in the highest benefit to cost ratio for all of the mitigation projects. If you need additional information regarding this alternative methodology, please have your staff contact either their designated Hazard Mitigation Specialist or Errol Garren of my staff at (202) 646-3678.

cc: Mitigation Division Directors, FEMA Regions I – X
Transition Recovery Office